DECLARATION

- I, Donald Carter, Special Agent with Homeland Security Investigations, hereby state, pursuant to Title 28, United States Code, Section 1746, under penalty and pursuant to the laws of the United States, that the following is true and correct to the best of my knowledge, information, and belief:
- 1. I am an investigative or law enforcement officer of the United States within the meaning of Section 2510(7) of Title 18, United States Code, that is, an officer of the United States who is empowered by law to conduct investigations of and to make arrests for offenses enumerated in Section 2516 of Title 18, United States Code.
- 2. I have been employed as a Special Agent (SA) with the United States Department of Homeland Security (DHS), U.S. Immigration and Customs Enforcement (ICE), Homeland Security Investigations (HSI) since 2002. I am currently assigned to the Office of the Resident Agent in Charge, Columbia, South Carolina. Prior to that, I was employed as an Agent with the North Carolina Alcohol Law Enforcement Division beginning in 1990. I completed the Federal Criminal Investigator Training Program and the Customs Basic Enforcement School at the Federal Law Enforcement Training Center in Glynco, Georgia, as well as the North Carolina Alcohol Law Enforcement Basic School and was a state certified officer.
- 3. This declaration is submitted in support of a Verified Complaint of Forfeiture for the defendant property \$158,180.00 in U.S. currency seized during the investigation of human trafficking violations involving illicit massage businesses in North Carolina.



Case 1:23-cv-00105 Document 1-1 Filed 02/03/23 Pa

- 4. The facts and circumstances set forth in this Declaration are based on information provided by other law enforcement officers and my own personal knowledge and experience. Because this declaration is being submitted for the limited purpose of establishing probable cause, I am not including all the facts and information that I have learned about or obtained during the course of this investigation.
- 5. Based on the investigation described below, there is probable cause to believe that the \$158,180.00 in U.S. currency is subject to forfeiture pursuant to 18 U.S.C. § 981(a)(1)(C), 8 U.S.C. § 1324(b), and 18 U.S.C. § 2428.

The Investigation

- 6. Beginning in 2020, the Winston-Salem Police Department (WSPD) and Homeland Security Investigations (HSI) began investigating individuals involved in running illicit massage businesses in North Carolina.
- 7. Based on my training and experience and on information I have obtained from local, state, and federal law enforcement officers who investigate human trafficking violations involving illicit massage businesses, Asian massage parlors, Asian brothels, and Asian criminal enterprises that gain financially from the sex and labor trafficking of women, I have learned the following general information about Asian massage parlors:
- a. Typically, women from China, Korea, Taiwan, and other Asian countries come to the United States through either California or New York. The women arrive illegally (many times with false documentation) or through temporary visas provided at a significant cost to the individual coming into the United States.

- b. Criminal organizations are believed to transport these females into the country and engage in the transport of women to various massage parlors or brothels in the United States, often across states lines.
- c. Once in the United States, the females are made to believe they must perform sexual acts during the massage session and turn over a portion of the proceeds to a business manager, commonly referred to as the manager.
- d. Typically, the females work as prostitutes and live in the massage parlor itself or in a nearby apartment. Based on my training and experience and the experience of other agents, their living quarters are often sparse, with multiple women living in a single room, cooking on hotplates, and sleeping on mattresses with no other furniture.
- e. Oftentimes, the females' identification or immigration paperwork is taken and held by the manager so that the women do not have the ability to travel, move about the country freely, or leave and return home. These women are often working solely to provide for family members abroad. I have learned through my investigation that there are strict cultural norms that suggest returning home would be shameful and a dishonor to their families.
- f. Historically, brothel or Asian massage parlor owners, managers, and workers often have criminal histories that include prostitution charges from multiple states, indicating a pattern of travel across state lines for the purpose of engaging in criminal activity.

- g. Traffickers are known to use the lack of documentation by foreign nationals and assistance in securing work as a means of coercion. It is common for traffickers to hold the passports and other immigration documents belonging to foreign nationals in an effort to maintain control of them. Unusual amounts of purchases pertaining to transporting, feeding, clothing, housing, and providing basic needs of a large amount of people at the "family hotel" and in different locations across the country are indicative of a trafficking operation. Financial statements, receipts, and documents may reveal this activity.
- h. Individuals who engage in criminal activity, including Sex Trafficking by Force, Fraud, or Coercion; Laundering of Monetary Instruments; and Interstate, Foreign Travel in Aid of Racketeering use digital devices to access websites to facilitate illegal activity; to communicate with co-conspirators online; and to store communications, documents, photographs, contacts, and records relating to their illegal activity.
- i. Participants in a racketeering enterprise involving illicit massage in particular handle large amounts of currency and other financial instruments such as money orders in their attempt to conceal illegally obtained proceeds. The parties involved in this investigation have not been found to receive income from any legitimate employment or business source.
- 8. The multi-year criminal investigation of certain individuals involved in running illicit massage businesses in and around Winston-Salem, North Carolina is ongoing.

- 9. Beginning in 2020, the WSPD and HSI targeted three (3) locations suspected of operating illicit massage businesses:
 - a. "Summer Orchis" located at 4725 Benton Road, Winston-Salem,
 North Carolina, 27103;
 - b. "Lotus Winds" located at 2130 S. Stratford Road, Winston-Salem, North Carolina, 27103.
 - c. "Nu Mi Tu" located at 137 Ashleybrook Lane, Winston-Salem, North Carolina.

All three locations were found to be operating as illicit massage businesses.

10. Two individuals involved in running the above-mentioned illicit massage businesses, Jian CAO and Bin ZHANG, are married. Jian CAO runs the "family hotel", a residence located in California where females intended for work at illicit massage businesses or brothels are housed, and facilitates travel of workers to and from the "family hotel" to Summer Orchis, Lotus Winds, Nu Mi Tu, and other illicit massage businesses.

Summer Orchis

proven to provide sexual services in exchange for money. In addition to consistently advertising on illicit web sites, Summer Orchis was the target of an undercover operation where a detective was solicited for a sex act in August 2020. In addition, a female civilian reported to Detective S.A. Warner of the WSPD that she witnessed her husband receive sexual services at Summer Orchis in late May of 2022.

- 12. Detective Warner observed, from June 2020 up to August 8, 2022, that Summer Orchis concealed their windows with blinds and was patronized by only male customers who are buzzed in by an Asian female.
- 13. Jian CAO and Bin ZHANG travelled to the "family hotel" in California on multiple occasions throughout the investigation, including at least one occasion on which CAO and ZHANG attempted to transport funds derived from illicit massage businesses. During his visits to Summer Orchis, Jian CAO was observed assisting with the operation of the illicit business by transporting females to and from the premises.

Lotus Winds

- 14. The WSPD first learned that Lotus Winds was operating as an illicit massage business in 2015. However, Lotus Winds did not become integral to the investigation until December 2020. On December 2, 2020, WSPD Detective Steven Dickerson observed a Toyota RAV4 vehicle parked in the rear of the business, with California license plate showing registration to an individual associated with an address in California that was known to be a previous address of Jian CAO and Bin ZHANG. The Toyota RAV4 vehicle has been seen dropping off Asian females carrying luggage at Lotus Winds.
- 15. Lotus Winds has been proven to provide sexual services in exchange for money. In addition to consistently advertising on illicit web sites such as "RubMaps" and "SkipTheGames," Lotus Winds was the target of an undercover operation where a detective was solicited for a sex act in 2015, and again in July 2022.

Nu Mi Tu

- 16. On June 16, 2020, WSPD received a citizen complaint regarding suspicious activity at a spa business located in Winston-Salem, North Carolina known as Nu Mi Tu. Surveillance showed that the spa was operating in a manner illicit massage businesses are known to operate. The view of the windows was blocked out, and customers pressed a buzzer and were allowed entry by an Asian female.
- 17. Additionally, advertisements for Nu Mi Tu were found on "RubMaps" and "SkipTheGames," which are commonly known by human trafficking investigators as sites where illicit massage businesses and sexual services are advertised.
- 18. While WSPD was conducting surveillance at Nu Mi Tu, a white Lexus vehicle ("Lexus-1") was observed in the parking lot. The Lexus-1 was registered to Bin ZHANG and Jian CAO. Around July 24, 2020, WSPD Detective Warner discovered that Nu Mi Tu was no longer operating as a result of complaints to the landlord by neighboring businesses. A sign posted at the location indicated that the business was moving to a new location, which was not listed.

Tudor Downs Residence

19. Bin ZHANG has a residence located in Winston-Salem, North Carolina ("Tudor Downs"). Bin ZHANG and multiple Asian females are known to frequent and stay at Tudor Downs. When Jian CAO travels to the Winston-Salem area, he stays at the house and/or frequently visits there. Investigators observed Jian CAO using various vehicles to transport women from Tudor Downs to Summer Orchis. Multiple surveillance operations and use of other investigative techniques established that Tudor Downs is a transition point

and meeting place for CAO, ZHANG, and others involved in the illicit businesses under investigation.

Surveillance

- 20. On June 17, 2020, after 10:00 p.m. (closing time for Summer Orchis), WSPD detectives followed Lexus-1 from Summer Orchis to an apartment building in Winston-Salem, North Carolina. Detective Warner got out on foot and determined that the occupant(s) of Lexus-1 went into one of the apartments.
- 21. On July 31, 2020, WSPD Detectives Warner and Dickerson and the North Carolina State Bureau of Investigations conducted surveillance at Summer Orchis and the apartment, which are no more than a mile apart. WSPD Detective Dickerson observed three Asian females walk from the apartment's breezeway and enter Lexus-1, which then traveled directly to Summer Orchis, where two female passengers exited. Detective Dickerson confirmed one of the females was Bin ZHANG. Lexus-1 then traveled to a neighboring shopping center and parked. The driver exited Lexus-1 and walked down the road, returning to Summer Orchis. There was adequate parking at Summer Orchis to accommodate Lexus-1.
- 22. On August 12, 2020, Detectives Warner and Dickerson were conducting surveillance of a spa called True Balance located in Winston-Salem, North Carolina. The detectives observed Lexus-1 leave the business occupied by two Asian females and go to a UPS Store, where both females entered the store. Detective Dickerson entered the store in plain clothes and saw both females waiting in line. Detective Dickerson recognized the driver as Bin ZHANG, and the passenger was identified as Huan Hua Lu. Both women

approached the clerk, and Huan Hua Lu removed a small manila envelope from her purse and provided it to the clerk for shipping. Huan Hua Lu declared that the package contained "paper" and stated that the package was to be delivered to Bin ZHANG's home. Detective Dickerson observed the package as it sat on the weight scale. Observing the visible outline of the package, Detective Dickerson noticed the contents appeared to be consistent with a stack of cash. Detective Dickerson overheard the conversation and heard that Huan Hua Lu paid \$80.00 for overnight shipping to be delivered by 10:30 a.m. the following morning. The clerk initially taped the manila envelope and placed a shipping label directly on the envelope. Huan Hua Lu then asked the clerk to put the envelope inside a box. After completing the transaction, Bin ZHANG and Huan Hua Lu left the UPS store. Detective Warner then went to the UPS store and contacted store personnel, who remembered the two Asian females and said that their transaction seemed suspicious. The UPS store employee stated, "it looked like they were sending a stack of cash." The UPS store employee brought Detective Warner the shipping box that Bin ZHANG and Huan Hua Lu were sending. The shipping label revealed the sender was Bin ZHANG, with a California address. The recipient was listed as Jian CAO of the same California address. On the same day, Detectives Warner and Dickerson obtained a state search warrant to open and inspect the contents of this package. After serving the warrant, the contents revealed 196 individually wrapped and labeled stacks of Western Union money orders. The combined value of the money orders was \$97,600.00. The money orders were repackaged, and UPS completed the shipping to Jian CAO.

- 23. On August 12, 2020, Detective Dickerson coordinated an undercover operation for Summer Orchis using the phone number which was listed on the ad posted on SkipTheGames.com. WSPD Detective T. Watson scheduled an appointment for a massage at Summer Orchis. Detective T. Watson went to Summer Orchis and received a massage from Bin ZHANG. Near the end of the massage, Bin ZHANG offered to masturbate Detective Watson in exchange for \$40.00. Detective Watson declined the offer. Bin ZHANG completed the massage and Detective Watson left the business.
- 24. On September 25, 2020, WSPD detectives observed a white Lexus RX350 SUV, very similar to Lexus-1, parked at Bin ZHANG's apartment building. The Lexus RX350 SUV ("Lexus-2") displayed a California license plate. Lexus-2 was registered to Jian CAO.
- 25. On September 29, 2020, WSPD Detective Dickerson observed Lexus-1 and Lexus-2 parked at Summer Orchis Spa at approximately 8:30 p.m.
- 26. On October 1, 2020, WSPD Detective Warner met with personnel from Bin ZHANG's apartment complex, who advised that they recently entered Bin Zhang's apartment for a routine maintenance matter and discovered mold. Bin ZHANG paid for mold remediation as a result of not using the air conditioning and not having a washer/dryer in the apartment. Bin ZHANG terminated the lease not long after the maintenance visit and was scheduled to move out by the end of November 2020. Pictures taken from inside the apartment showed significant amounts of mold, no furnishings inside the apartment other than three mattresses on the floor of the bedroom, and one mattress and a massage table in the living room.

- 27. On October 18, 2020, WSPD detectives identified Lexus-1 parked overnight at Tudor Downs.
- 28. October 19, 2020, WSPD Detective Warner observed Jian CAO's Lexus-2 in the driveway of Tudor Downs. Detective Warner observed Jian CAO leave the residence with two Asian females and transport them to Summer Orchis in Lexus-2.
- 29. October 22, 2020, investigators conducted surveillance at Tudor Downs and saw Lexus-1 in the driveway. At approximately 8:30 a.m., Jian CAO and three Asian females exited the residence and loaded several bags into the trunk of Lexus-1. Jian CAO transported the females directly to Summer Orchis in Lexus-1, dropping them off. Jian CAO traveled back to Tudor Downs where he dropped off Lexus-1 and entered Lexus-2 from the garage with another Asian female. Jian CAO transported the female to Summer Orchis in Lexus-2, also dropping her off.
- 30. On January 29, 2021, Detective Dickerson observed a grey 2021 Lexus RX350 ("Lexus-3") in the driveway at Tudor Downs. Lexus-3 is registered to Jian CAO.
- 31. On February 17, 2021, Lexus-3 traveled to Summer Orchis and picked up four females from the spa and took them to Tudor Downs.
- 32. On March 11, 2021, WSPD Detective Warner conducted surveillance and observed Bin Zhang and three Asian females travel from Tudor Downs to Summer Orchis in Lexus-1.
- 33. Between April 14, 2021 and August 23, 2021, surveillance confirmed that females were routinely being transported back and forth between Summer Orchis and Tudor Downs.

Traffic Stop and Search of Lexus-3

- 34. On May 28, 2021, Detective Warner was notified by Archdale Police Department that they had executed a search warrant at a business called Pure Harmony, located in Archdale, North Carolina, in response to undercover operations that revealed solicitations for prostitution. During the execution of the search warrant, two Asian females were found inside the business. Detective Warner and Agent Meghan Phillips with the North Carolina State Bureau of Investigations interviewed the two women individually. Both women stated:
 - a. they were told not to leave the business and that the managers could see them via the interior cameras;
 - b. they had stayed at the "family hotel" in Los Angeles after arriving in the United States; and
 - c. they wished to return to Los Angeles and find legitimate jobs.

One of the documents seized from the search of Pure Harmony was a piece of mail bearing the address of the "family hotel" in California. A non-profit service provider assisted in flying both women back to Los Angeles. While the service provider offered to assist with providing transportation from Los Angeles airport to the place they were staying, both women declined, stating that their "friends" would pick them up. Surveillance at the Los Angeles airport showed both women being picked up by Lexus-3, the car belonging to Jian CAO, and taken to the "family hotel."

35. On August 26, 2021, the Honorable Joe. L Webster, U.S. Magistrate Judge, issued a warrant to place a tracking device on Lexus-3.

- 36. On September 26, 2021, using the tracking device, Detective Warner noticed that Lexus-3 was tracking west out of Winston-Salem, North Carolina. Detective Warner believed that Jian CAO was heading to California, after being in Winston-Salem for approximately five weeks.
- 37. Based on the results of the investigation showing the involvement of Jian CAO, Bin ZHANG, and Lexus-3 in illicit massage businesses, Detective Warner contacted me to arrange for a Tennessee Highway Patrol trooper to conduct a traffic stop of Lexus-3. I arranged for the stop to be made, and Tennessee State Trooper D. Foster conducted the stop that day. Jian CAO and Bin ZHANG were traveling together. Jian CAO was driving and consented to a search of the vehicle. Although Jian CAO denied being in possession of any large amounts of U.S. Currency, the trooper found \$158,180.00 in various bundles that were concealed in the spare tire cargo area of the vehicle.
- 38. The U.S. currency was wrapped with various materials including paper towels, cellophane, aluminum foil, and some were just rubber-banded together in a plastic shopping bag. Some of the wrappings were labeled with Mandarin writing. I sent photographs of the wrappings to HSI Agent R. Hsu for translation. Some of the wrappings had the name "Jennifer" on it with amounts of \$10,200 and \$10,000 listed under her name in Mandarin. Research of RubMaps reviews from July 1, 2021 through a few days prior to the vehicle stop reveal that Summer Orchis had a worker by the name of "Jenny" who provided sexual services. Other wrapping labels included other female names.
- 39. During the search, Bin ZHANG and Jian CAO were sitting in Trooper Foster's vehicle, and their conversation was recorded via his in-car camera system.

Translation dictation revealed Bin ZHANG talking about the currency coming from work in Winston-Salem and taking it to Los Angeles. In addition, Bin ZHANG and Jian CAO spoke about how it was risky to travel this route and that CAO should have taken the southern route to California to avoid detection. Bin ZHANG spoke about how it had worked out fine every time in the past when Jian CAO carried money. She later spoke about advising CAO not to bring that much money with him and not to do the courier run from now on. She talked about the money being a cumulative amount of several different workers' salaries with the "unmarked" bundles belonging to her.

- 40. After the traffic stop, Trooper Foster met with Special Agent Greg Martin with U.S. Customs and Border Protection, turning over the U.S. currency. On September 27, 2022, Special Agent Martin transferred the U.S. currency to Loomis for an official count. Loomis electronically transferred \$158,180.00 in U.S. currency to the Treasury Suspense Account.
- 41. Following the stop, tracker data revealed that Jian CAO and Bin ZHANG turned around and went directly back to Bin ZHANG's residence at Tudor Downs.
- 42. Tracker data indicated the Lexus-3 used by Jian CAO stayed in Winston-Salem until the morning of October 1, 2021, when it traveled west toward California again. Prior to this date, on July 9, 2021, Homeland Security Technical Operations installed a covert camera overlooking the "family hotel" in California, which allowed investigators in both North Carolina and California to remotely monitor activity at the premises. Via this camera, Detective Dickerson confirmed Jian CAO's arrival at the "family hotel" on the evening of October 2, 2021.

43. Detective Warner reviewed tracker data for Jian CAO's vehicle that tracked the vehicle from the "family hotel" to the Los Angeles airport on the evening of October 15, 2021. Detective Warner confirmed via the camera at the "family hotel" that Jian CAO had picked up Bin ZHANG from the Los Angeles Airport and brought her to the "family hotel."

Search of the "Family Hotel"

- 44. On December 14, 2021, the United States Department of Labor ("DOL") conducted a search of the "family hotel" in connection with an unemployment insurance fraud investigation. Detectives Dickerson and Warner were present along with HSI Los Angeles agents. Detective Warner has told me that the "family hotel" is a three-bedroom two-bath house with an open kitchen, dining, and living room.
- 45. During the search, it was discovered that fourteen Asian females were living at the "family hotel." When interviewed, the females advised the following:
 - a. Jian CAO was the "manager" of the residence, and they were required to pay \$20 per day to stay at the "family hotel";
 - Jian CAO occupied one of the bedrooms while everyone else slept in the other rooms on pallets, twin beds, bunk beds, or in the garage, which had a full-size mattress on the floor;
 - c. Almost all of the females worked in massage (two stated they worked in housekeeping), and they had worked in many different cities across the United States;

- d. They were paid in cash based on the number of customers they serviced; and
- e. Because there were no other furnishings for the females, such as dressers or chests of drawers, they lived out of their suitcases.
- 46. One of the females present at the search of the "family hotel" was LQ, the same female who had been rescued by the Archdale Police Department and who subsequently returned to the "family hotel" in June 2021.
- 47. The females present at the search of the "family hotel" were immigrants, with various immigration statuses.
- 48. DOL personnel interviewed Jian CAO, who confirmed that the right rear bedroom (the one with the double bed) was his room. A safe was located beside the bed. Jian CAO said that he did not know the combination, but it was opened with a key from his satchel, which Detectives Warner and Dickerson have seen him carry on many occasions. Jian CAO was in possession of the satchel during the Tennessee vehicle stop.
- 49. Inside the safe were ten sealed letter-size envelopes with X's drawn over the seals to detect tampering, which were opened by law enforcement. The envelopes contained stacks of United States currency, with one envelope containing a stack of Chinese currency.
- 50. The safe also contained fifteen (15) Chinese passports (most belonging to Asian females who were not present at the "family hotel" at the time of the search), at least \$30,000 worth of Postal Money Orders in \$700 to \$1,000 increments that Detective Warner

later learned were purchased from various post office locations in Winston-Salem on various dates; and a spiral notebook used as a ledger.

- 51. Also found within Jian CAO's bedroom were Employment Development Department (EDD) cards issued by the state of California, including one with Bin ZHANG's name on it; United States Citizenship and Immigration Services (USCIS) documents; bank statements and cards; social security cards; and many other documents associated with numerous Asian names that appear likely to be Chinese, with most confirmed to be female.
- 52. In addition, various cell phones and an iPad were found in Jian CAO's bedroom and were seized by the Department of Labor.
- 53. U.S. Customs and Border Protection, Homeland Security Investigations (hereafter "CBP") initiated administrative forfeiture proceedings as to the \$158,180.00 in U.S currency, and notice was sent to Jian CAO. On November 29, 2021, CBP received a claim from Jian CAO for the \$158,180.00 in U.S. currency. CBP transmitted the claim to the United States Attorney's Office in the Eastern District of Tennessee for the purpose of initiating a judicial forfeiture action against the property.
- 54. On November 7, 2022, United States District Court Judge Katherine A. Crytzer of the Eastern District of Tennessee, granted an extension to file a Verified Complaint of Forfeiture until February 5, 2023.
- 55. Based on the ongoing investigation of Jian CAO and Bin ZHANG, the Eastern District of Tennessee transferred the case to the Middle District of North Carolina as the appropriate venue for forfeiture proceedings.

CONCLUSION

56. Based on the foregoing, there is probable cause to believe that the \$158,180.00 in U.S. currency constitutes or is derived from proceeds traceable to an offense constituting a specified unlawful activity as defined in 18 U.S.C. § 1956(c)(7), or a conspiracy to commit such offense, namely trafficking in persons or transporting, recruiting, or harboring a person for immoral purposes, and is therefore subject to seizure and forfeiture to the United States pursuant to 18 U.S.C. § 981(a)(1)(C).

57. Based on the foregoing, there is also probable cause to believe that the \$158,180.00 in U.S. Currency constitutes gross proceeds of a violation of 8 U.S.C. § 1324(a), or is property traceable to such proceeds, and is therefore subject to seizure and forfeiture to the United States pursuant to 8 U.S.C. § 1324(b).

58. Based on the foregoing, there is also probable cause to believe that the \$158,180.00 in U.S. Currency was used or intended to be used to commit or to facilitate the commission of violations of Chapter 117 of Title 18 (18 U.S.C. §§ 2421 et seq.), or constitutes or is derived from proceeds traceable to such violation, and is therefore subject to seizure and forfeiture to the United States pursuant to 18 U.S.C. § 2428.

This the 3rd day of February, 2023.

Donald Carter

Senior Special Agent

HSI Investigations

U.S. Customs and Border Protection